

## DISTRICT COURT REVENUE AND COST CHANGES

Under recommendations developed by the Court Funding and Structure Committee, the state is to assume responsibility for funding district courts, except for clerks of court. This is expected to increase state expenditures by \$20.9 million per year based on fiscal 1991 costs. However, the state will receive \$6.2 million in revenue from motor vehicles that currently goes to district courts, and approximately \$1.9 million in fees related to district court funding. This results in a net new state general fund expenditure requirement of \$12.8 million. Similarly, county governments are relieved of a \$20.9 million of expenditure responsibility for the district courts, but no longer will receive the above revenue sources of \$8.1 million. The result is that counties will have revenue of \$12.8 million available for programs to support programs other than the district courts.

This chapter will explain how the district court costs were determined by the Court Funding and Structure Committee.

### District Court Expenditures

To determine the expenditures which need to be funded by the state, a fiscal 1999 district court expenditure survey was done. Of the total expenditure of \$25,935,624 reported in the survey, \$640,640 was spent on expenses that would not be paid or reimbursed if the state assumes all district court funding. These expenses include fixed charges of \$256,796, debt service of \$75,234, grants and contributions of \$128,194, other objects of \$48,594, and capital outlay of \$131,822.

Of the remaining expenses, which will be state funded, there are three main categories. The main categories are personal services, purchased services, and supplies and equipment. Table 16 shows the percent of the budget related to these three categories and includes the items mentioned above that the state would not fund.

<b>Table 16</b>		
<b>District Court Expenditure - Fiscal 1999 Survey</b>		
<u>Expenditure</u>	<u>Dollars</u>	<u>Percent</u>
Personal Services	\$ 16,059,357	68.44%
Purchased Services	6,311,648	26.90%
Supplies & Equipment	453,205	1.93%
Non Reimbursed Items	640,640	2.73%
Sub-Total	\$ 23,464,850	100.00%
Non Reporting Counties	\$ 2,470,844	0.00%
<b>Total</b>	<b>\$ 25,935,694</b>	<b>100%</b>

From the survey, it was reported that \$16,059,357, or 68.43%, was the expense from personal services. Personal services includes salary and wages, benefits, overtime, and other expense for personal services.

Another expense category reported on the survey that the state would assume is purchased services. Purchased services include, predominantly, professional services. It also includes amounts for training, travel, and utilities. Purchased services account for \$6,311,648 of the reported expense, or 26.90% of the total reported amount.

The survey also included information on supplies and equipment, which includes office supplies, operating supplies, repair and maintenance expenses, and equipment. The survey indicated that \$453,205 was spent on this category and that represents 1.93% of the reported total. The remaining percentage is due to the non-reimbursed items mentioned in the first paragraph.

The percentages in Table 16 are applied to the fiscal 1998 BARS information. Table 17 illustrates the base budget amounts that will be allotted to each of the three main categories. For district courts, the base expenditure level for state funding is \$24,898,383. This is total fiscal 1998 expenditures less non-reimbursables and grants. Grants received by the district court can be added by budget amendment and are, therefore, removed from the expenditure base. The two known grants are a Yellowstone County grant to the Youth Services Center of \$833,597, and a Crime Control grant of \$219,456.

<b>Table 17</b> <b>District Court Expenditure - Fiscal 1998 Base Amounts</b>		
<u>Expense Category</u>	<u>Percent</u>	<u>Fiscal 1998 Base</u>
Personal Services	68.43%	\$17,040,453
Purchased Services	26.90%	6,697,665
Supplies & Equipment	1.93%	480,539
Sub-Total	97.26%	\$24,218,657
Non-Reimbursed Items	2.73%	\$ 679,726
<b>Total FY98 Expenditure</b>	<b>100.00%</b>	<b>\$24,898,383</b>

## Clerk of the District Court

The Court Funding and Structure Committee decided that the clerks of the district court and staff would remain as county employees. Based on the fiscal 1999 information returned in the survey, the clerks of the district court office expenditures were \$5,331,746. These costs need to be removed from the base district court cost, as they will not be assumed by the state. Thus, the cost of \$18.9 million as shown in Table 18 is the fiscal 1998 district court costs base that would transfer to the state.

<b>Table 18</b>			
<b>District Court Costs - Transferred To State</b>			
<b>Fiscal 1998 Base</b>			
<u>Expenditure</u>	<u>Total District Court</u>	<u>Clerk of Court</u>	<u>Costs Transferred to State</u>
Personal Services	\$ 17,040,453	\$ (5,070,061)	\$ 11,970,392
Purchased Services	6,697,665		6,697,665
Supplies and Equipment	<u>480,539</u>	<u>(261,685)</u>	<u>218,854</u>
<b>Total</b>	<b><u>\$ 24,218,657</u></b>	<b><u>\$ (5,331,746)</u></b>	<b><u>\$ 18,886,911</u></b>

## Pay and Inflation Adjustment

To accurately estimate the expenses associated with district court operations in the 2003 biennium, pay and inflation adjustments must be made to the base fiscal 1998 available expense information.

For personal services and purchased services, which are predominantly purchased professional services, the projected increase in state spending for employee compensation has been used. Based on information received from the Governor's Budget Office the increase for fiscal years 1999, 2000 and 2001 is 3%, respectively. This payroll adjustment is based on the current pay plan contained in House Bill 13 and is expected to continue into the next biennium.

For supplies and equipment, the price index for state and local government non-compensation items was obtained from the June 2000 Government Consumption and Gross Investment Report published by the Wharton Economic Forecasting Association (WEFA). The estimated inflation price index for fiscal 1999 is 2.1%, for fiscal 2000 it is 6.2%, for fiscal 2001 it is 1.3%, for fiscal 2002 it is 0.6%, and for fiscal 2003 it is 0.4%.

### Transition Adjustment

A recommendation of the committee was that a transition amount of 5% of the personal service amount be allowed for the fiscal year beginning July 1, 2002. As reported to the committee in the Transition Issues report at the April meeting, "No employee would lose salary as a result of the change to state employment. New salary levels would be effective after completion of the classification and pay plan work. Employees being paid below the proper classification in the pay plan would receive an increase (and a contingency fund should be included in an appropriation for this purpose). Employees being paid above the proper classification would continue to receive their current pay until legislatively enacted pay raises exceed their current pay. At that point, these employees would begin receiving legislatively appropriated pay increases." The transition amount will be used to ensure that there are sufficient funds available to place the employees of the district court operations in the correct state pay band. The 5% transition amount of \$693,848 for personal services is for fiscal 2003 only.

At the April meeting the committee recommended that 5% of the total budget would be added for equipment in the 2003 biennium. The allowance of \$1,062,645 for fiscal 2002 and \$1,094,210 for fiscal 2003 is to ensure that sufficient funds are available for offices to purchase necessary equipment to operate efficiently. The transition amount for equipment is for both years of the 2003 biennium.

### **New District Judge Staff Expenses**

The passage of SB273 created a new 22<sup>nd</sup> Judicial District. SB273 also added new judges in the 11<sup>th</sup> and 20<sup>th</sup> Judicial Districts.

Based on information provided by the Supreme Court Administrator, an additional \$213,000 will be needed to staff and supply the three new district court judges in fiscal 2001. This amount includes the salary for three court reporters, three secretaries, office supplies and legal subscriptions that, under current district court funding, is paid by local governments. Based on the state pay plan as outlined above and the WEFA estimated price index of non-compensation items, the estimated costs that would be paid by the state would be \$218,670 in fiscal 2002, and \$224,445 in fiscal 2003. The staff and expenses are shown in the following table.

**Table 19**  
**New District Court Judge Expense**

<u>Expense</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Court Reporters (3)	\$ 105,000	\$ 108,150	\$ 111,395
Court Secretary (3)	78,000	80,340	82,750
Office Supplies/Subscriptions	30,000	30,180	30,301
<b>Total</b>	<b>\$ 213,000</b>	<b>\$ 218,670</b>	<b>\$ 224,445</b>

### Judicial Branch Administrative Costs

In reviewing the costs of additional personnel in the judicial branch of government to make the transition and to administer the district court program on a statewide basis, the committee asked the court administrator to work with the Office of Budget and Program Planning (OBPP) to refine the administrative cost. The committee approved a district court administrator, a support staff, and 6.5 full-time equivalent (FTE) employees for human resources, accounting, budgeting and payroll functions. These 6.5 FTE were based on what personnel were available to agencies of similar size as the number of FTE which will be assumed by the judicial branch with the transfer of the district courts.

### Cost Summary

All district court operation expenses have been detailed in this report. The following table is a compilation of the information presented in the report.

**Table 20**  
**Summary of State Costs for District Courts**

	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
Current Level - Expenditures			
Personal Services	\$ 13,080,371	\$ 13,472,782	\$ 13,876,966
Purchased Services	7,318,719	7,538,281	7,764,429
Supplies & Equipment	240,389	241,831	242,799
New Judges Staff Costs	213,000	218,670	224,445
Total Current Level Expenditures	\$ 20,852,479	\$ 21,471,564	\$ 22,108,639
New Costs - Expenditures			
Salary Transition	\$ -	\$ -	\$ 693,848
Equipment Transition	-	1,062,645	1,094,210
Judicial Administrative Costs	-	596,438	550,938
Total New Costs Expenditures	\$ -	\$ 1,659,083	\$ 2,338,996
<b>Total Recommended Budget</b>	<b>\$ 20,852,479</b>	<b>\$ 23,130,647</b>	<b>\$ 24,447,634</b>

## Revenue

If the state assumes all district court operations, some of these revenues would be remitted to the state to offset the expense incurred by the state. Among those that would be remitted to the state would be district court fees of \$1,706,941. District court fees include filing fees for the transactions that occur within the clerk of the court offices. Miscellaneous revenue includes portions of airplane registration fees, corporate license taxes, miscellaneous grants, contributions, and other revenues. It is estimated that the state would retain \$200,000 of these revenues for use in funding district court operations. In total, the state would receive \$1,906,941 from these revenue sources. Since the majority of this income is derived from fees that are fixed in law, there is no growth adjustment made for the 2003 biennium.

Under HB540, there is \$6.2 million of vehicle fees which are used for district court expenditures. These vehicle fees are transferred to the Judiciary Branch and then used to fund district court expenditures. Under the proposed change, these funds will be deposited into the state general fund and used to fund the states assumed cost of district courts.

## **Summary**

The committee decided to transfer district courts, except the clerk of district court, to the state judiciary branch of government. The counties have stated that they will provide office space for the district courts at no cost. Three additional budget items are recommended and they include a 5% salary pool to bring all employees up to appropriate pay levels; a 5% equipment budget so that adequate equipment can be provided to the court system; and additional administrative personnel to do the personnel and financial processing. The state general fund cost will be \$23,130,647 in fiscal 2002, and \$24,447,634 in fiscal 2003. The funding transfers being proposed by the Local Government Structure and Funding Committee will offset all of this cost, except the additional items. Thus, the net cost to the state general fund is \$1,659,083 for fiscal 2002, and \$2,338,996 for fiscal 2003, for a biennial cost of \$3,998,078.